Americold Realty Trust (COLD)

Updated February 20th, 2023 by Nikolaos Sismanis

Key Metrics

Current Price:	$32	**5 Year CAGR Estimate:**	-1.5%	**Market Cap:**	$8.6 B
Fair Value Price:	$21.42	**5 Year Growth Estimate:**	3.0%	**Ex-Dividend Date:**	03/30/2023[1]
% Fair Value:	149%	**5 Year Valuation Multiple Estimate:**	-7.6%	**Dividend Payment Date:**	04/15/2023
Dividend Yield:	2.8%	**5 Year Price Target**	$24.83	**Years Of Dividend Growth:**	N/A
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Sell

Overview & Current Events

Americold is the world's largest publicly traded REIT focused on the ownership, operation, acquisition, and development of temperature-controlled warehouses. The company operates a global network of 242 temperature-controlled warehouses encompassing over 1.4 billion cubic feet, 195 of which are located in North America, 27 in Europe, and the rest in Asia-Pacific and South America. In addition, Americold holds two minority interests in Brazilian-based joint ventures with SuperFrio and Comfrio, which own 38 and 28 temperature-controlled warehouses, respectively. Americold generates around $2.3 billion in annual revenues and is headquartered in Atlanta, Georgia.

On February 16th, 2023, Americold reported its Q4-2022 and full-year results for the period ending December 31st, 2022. Revenues came in at $721.5 million, an increase of 0.7% year-over-year. This tiny growth was driven by Americold's core warehouse business which benefited from pricing initiatives, rate escalations, and higher economic occupancy, incremental revenue from acquisitions, and recently completed expansion and development projects, partially offset by lower throughput volume in the company's same-store portfolio. Specifically, the Global Warehouse segment's revenues grew by 8.0%, while NOI grew by 14.29%. Economic occupancy[2] in the global warehouse segment stood at 83.8% versus 77.8% in Q4-2021.

AFFO came in at $78.2 million, or $0.29/share, compared to $82.2 million, or $0.31/share, in the prior-year period. For the year, AFFO/share declined by four cents to $1.11. For FY2023, management introduced its guidance, now expecting AFFO/share between $1.14 and $1.24. We have applied the midpoint of this range in our estimates.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
AFFO/shr	---	$1.16	$0.85	$1.01	$1.35	$1.20	$1.19	$1.32	$1.15	$1.11	***$1.19***	***$1.38***
DPS	---	---	---	---	---	$0.70	$0.80	$0.84	$0.88	$0.88	***$0.88***	***$1.00***
Shares[3]	---	69.6	69.8	69.9	70.0	144.3	184.0	206.9	261.1	270.6	***270.6***	***400.0***

Since its IPO in 2018, Americold has employed an expansionary strategy that has failed to meaningfully expand its AFFO/share, nonetheless. Moving forward, we expect the company to keep growing its portfolio following a series of acquisitions. The company strives to enhance its same-store performance while replacing the legacy customer agreements from its acquired assets with new, more beneficial contracts by leveraging its integrated network, scale, and market position. To illustrate this, the same-store NOI Margin in its Rent & Storage, Warehouses, and Services divisions was 64.5%, 29.8%, and 2%, respectively, in 2016. At the end of 2021, these figures stood at 68.4%, 32.2%, and 4.0%, respectively, representing a gradual advancement over the years. Nevertheless, higher financing costs and share issuances have taken a toll on growing the company's per-share results.

We maintain our medium-term AFFO/share growth estimate to 3%. The company suspended its dividend growth streak

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[1] Estimated dates based on past dividend dates.

[2] Economic occupancy measures the physically occupied pallets contractually committed for a given period, without duplication.

[3] Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

in 2022. We maintain our dividend growth estimate at 2.5%, expecting dividend growth to resume along with Americold's improving operating results.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	---	---	---	---	---	20.8	27.7	27.9	29.6	26.1	***26.8***	***18.0***
Avg. Yld.	---	---	---	---	---	2.8%	2.4%	2.3%	2.6%	3.0%	***2.8%***	***4.0%***

Americold's publicly traded history is still short, though the stock has historically traded at around 26.4 times its AFFO. The premium valuation is most likely attributed to the company's "mission-critical" operations and growth expectations. However, with a challenging macro environment that is likely to keep pressuring the company's performance growth prospects moving forward, we believe that shares are currently significantly overvalued. We have set our fair multiple at 18, implying impactful valuation headwinds in the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

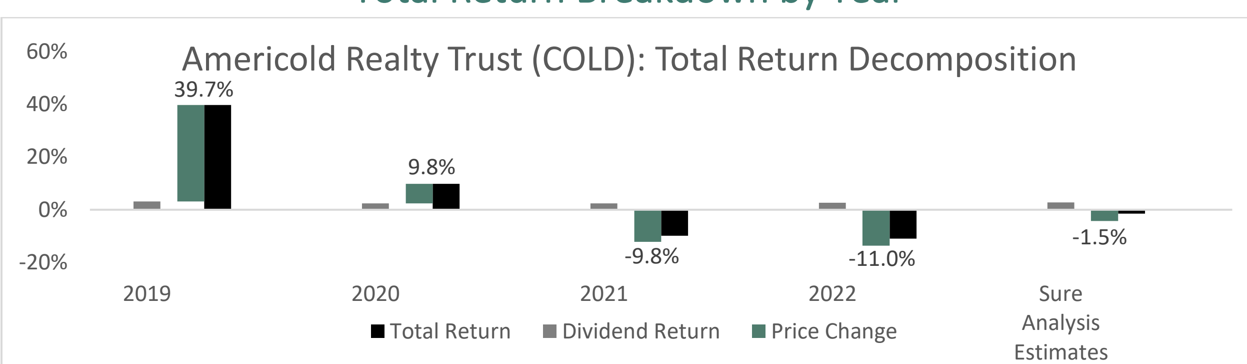
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	---	---	---	---	---	58%	67%	64%	77%	79%	***74%***	***72%***

We believe that the company's dividend coverage is quite healthy, with the payout ratio standing at 74% despite the suspension of dividend growth last year. Due to the non-cyclical nature of the industries the company services, such as packaged goods, fruits & vegetables, poultry, and dairy, amongst others, Americold enjoys predictable cash flows that should not set the dividend in danger. Additionally, the company enjoys great diversification and market position qualities. The top 25 customers account for around 48% of its warehouse revenues, with not a single one accounting for more than 5% of total sales. The company also holds a 17.8% market share in the U.S., which places it second, just behind Lineage Logistics, which has a 27.7% market share. Hence, the company has a solid competitive advantage by leveraging its scale to strike market-beating deals and achieve high efficiencies. We expect Americold to be considerably more resiliently during a prolonged recession due to around 79% of revenues coming from food manufacturers and around 19% from food retailers, which should see consistent sales even during adverse economic conditions.

Final Thoughts & Recommendation

Americold enjoys several advantages by being one of the largest temperature-controlled property owners in the world, including mission-critical-driven cash flows and a great moat. The company has proven it can grow its property portfolio consistently since its IPO by successfully acquiring its smaller competitors. However, shares appear expensive against a limited per-share growth prospects. In fact, we believe the stock could produce negative returns over the medium-term, as a result of heavy valuation headwinds. Americold continues to earn a sell rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	-	-	1,510	1,481	1,490	1,544	1,604	1,784	1,988	2,715
Gross Profit	-	-	323	337	346	374	406	478	551	630
Gross Margin	-	-	21.4%	22.8%	23.2%	24.2%	25.3%	26.8%	27.7%	23.2%
SG&A Exp.	-	-	84	91	97	100	111	129	145	182
D&A Exp.	-	-	133	126	119	117	118	163	216	322
Operating Profit	-	-	106	120	130	158	177	186	191	128
Operating Margin	-	-	7.0%	8.1%	8.7%	10.2%	11.0%	10.4%	9.6%	4.7%
Net Profit	-	-	(42)	(21)	5	(1)	48	48	25	(30)
Net Margin	-	-	-2.8%	-1.4%	0.3%	0.0%	3.0%	2.7%	1.2%	(1.1%)
Free Cash Flow	-	-	56	47	44	14	43	(66)	(109)	(219)
Income Tax	-	-	10	10	6	9	(4)	(5)	(7)	(2)

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	-	-	-	2,399	2,328	2,395	2,532	4,171	7,831	8,216
Cash & Equivalents	-	-	-	33	23	49	208	234	610	83
Accounts Receivable	-	-	-	183	200	200	194	215	324	380
Inventories	-	-	-		13	10	8	9	22	27
Goodwill & Int. Ass.	-	-	-	213	211	215	211	603	1,592	2,054
Total Liabilities	-	-	-	2,138	2,105	2,209	1,826	2,338	4,038	4,187
Accounts Payable	-	-	-	50	64	94	85	109	179	224
Long-Term Debt	-	-	-	1,679	1,680	1,741	1,351	1,695	2,648	2,843
Shareholder's Equity	-	-	-	(110)	(149)	(187)	707	1,833	3,790	4,021
LTD/E Ratio				6.43	7.55	9.37	1.91	0.92	0.70	0.71

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	-	-	-	-	0.2%	0.0%	1.9%	1.4%	0.4%	(0.4%)
Return on Equity	-	-	-	-16.4%	-	-	18.5%	3.8%	0.9%	(0.8%)
ROIC	-	-	-	-	0.3%	0.0%	2.4%	1.7%	0.5%	(0.5%)
Shares Out.	-	-	69.6	69.8	69.9	70.0	144.3	184	206.9	259.1
Revenue/Share	-	-	10.94	21.24	21.32	22.04	11.11	9.70	9.61	10.48
FCF/Share	-	-	0.40	0.67	0.63	0.20	0.30	(0.36)	(0.53)	(0.84)

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Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.